

Atlantic and NYNEX that would bid on PCS licenses that are being auctioned by the FCC. See "Recent Developments — Domestic Wireless Services."

U S WEST Multimedia Communications, Inc. ("Multimedia Communications") was formed to manage U S WEST's cable investments, and has primary responsibility for aiding U S WEST in achieving its strategic goal of becoming a leading provider of interactive, integrated communications, entertainment and information services outside the U S WEST Region.

Multimedia Communications is also responsible for identifying and pursuing alliances, acquisitions and/or investments that complement U S WEST's strategy. U S WEST is seeking to strengthen its national out-of-region presence by acquiring or forming alliances with other communications, entertainment and information services companies throughout the United States. The first major step toward that goal was the TWE Investment made in 1993. More recently, U S WEST acquired the Atlanta Cable Properties. See "Recent Developments — Cable Investments."

U S WEST will continue to employ strategic alliances and will also make direct investments in assets or businesses that are consistent with its business strategies. Financing for new investments will primarily come from a combination of new debt and equity. In the event of a new investment of substantial magnitude, the Company may also re-evaluate its use of internally generated cash, the feasibility of further acquisitions, the possibility of sales of assets and the capital structure.

During 1994, U S WEST continued expanding its international ventures, which include investments in cable television and telecommunications, wireless communications including PCS, directory publishing, and international networks. The Company completed its purchase of Thomson Directories, a publisher of 155 telephone directories that reach 80 percent of the households in Great Britain. The Company also purchased 49 percent of Listel, a Brazilian company that produces telephone directories, and acquired a minority interest in Binariang Sdn Bhd, a Malaysian telecommunications company that holds four licenses that enable it to become a second network operator in Malaysia.

U S WEST's net investment in international ventures approximated \$988 million (inclusive of consolidated entities) at December 31, 1994, approximately 68% of which is in the United Kingdom. Of the total international investment, approximately 53% is invested in cable television joint ventures, mostly in the United Kingdom and Western Europe.

Because U S WEST's international investments are in new, developing businesses, they typically are in a high growth, reinvestment phase for several years and do not show net income or positive cash flow until they become more mature. Consequently, start-up losses from these investments, in total, are expected to increase in 1995 and possibly beyond. The Company's future commitment to international ventures is currently planned at about \$400 million in 1995, but could increase as new opportunities become available.

ITEM 2. Properties.

The properties of U S WEST do not lend themselves to description by character and location of principal units. At December 31, 1994, the majority of U S WEST property was utilized in providing telecommunications services by U S WEST Communications. Substantially all of U S WEST Communications' central office equipment is located in owned buildings situated on land owned in fee, while many garages and administrative and business offices are in leased quarters.

ITEM 3. Legal Proceedings.

U S WEST and its subsidiaries are subject to claims and proceedings arising in the ordinary course of business. While complete assurance cannot be given as to the outcome of any contingent liabilities, in the opinion of U S WEST, any financial impact to which U S WEST and its subsidiaries are subject is not expected to be material in amount to U S WEST's operating results or its financial position.

ITEM 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

EXECUTIVE OFFICERS OF U S WEST

Pursuant to General Instructions G(3), the following information is included as an additional item in Part I:

	<u>Position</u>	<u>Age</u>	<u>Date Assumed Present Position</u>
A. Gary Ames(1)	President & Chief Executive Officer of U S WEST Communications	50	1990
James T. Anderson	Vice President & Treasurer	55	1984
Richard J. Callahan	Executive Vice President, U S WEST, & President, U S WEST International and Business Development Group	53	1988
Charles M. Lillis	Executive Vice President & President and Chief Executive Officer, U S WEST Diversified Group	53	1987
C. Scott McClellan(2)	Acting Executive Vice President	46	1994
Richard D. McCormick	Chairman of the Board, Chief Executive Officer & President	54	1986(3)
James M. Osterhoff(4)	Executive Vice President & Chief Financial Officer	58	1991
Lorne G. Rubis	Vice President	44	1992
Charles P. Russ, III	Executive Vice President, General Counsel & Secretary	50	1992
Judith A. Servoss	Vice President	49	1987
James H. Stever	Executive Vice President	51	1993

- (1) Mr. Ames, while not an officer of U S WEST, performs significant policy making functions equivalent to those typically performed by an officer.
- (2) Mr. McClellan was appointed Acting Executive Vice President effective October 10, 1994.
- (3) Mr. McCormick was appointed Chief Executive Officer on January 1, 1991, and was elected Chairman of the Board effective May 1, 1992.
- (4) Mr. Osterhoff has announced his retirement from U S WEST but will remain in his present position until a successor is named.

Executive Officers are not elected for a fixed term of office, but serve at the discretion of the Board of Directors.

Each of the above executive officers has held a managerial position with U S WEST or an affiliate of U S WEST since 1990, except for Messrs. Osterhoff, Rubis and Russ. Mr. Osterhoff was Vice President — Finance and Chief Financial Officer of Digital Equipment Corporation from 1985 to 1991. Mr. Rubis was Vice President — Quality for U S WEST International and Business Development Group, a division of U S WEST, from 1991 to 1992; Director — Quality and Service Improvement for U S WEST NewVector Group, Inc., a subsidiary of U S WEST, from 1990 to 1991. Prior to joining the U S WEST family, Mr. Rubis worked as an independent labor relations consultant and as co-founder and principal of Workplace One, Ltd., a Canadian-based consulting firm, from 1979 to 1988. In 1988, he merged his firm with Deltapoint Corp., a Seattle-based Quality Improvement consulting firm. Mr. Russ was Vice President, Secretary and General Counsel of NCR Corporation from February, 1984 to June, 1992.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information required by this item is included on page 54 of the 1994 Annual Report under the heading "Note 18: Quarterly Financial Data (Unaudited)" and is incorporated herein by reference. The U.S. markets for trading in U S WEST common stock are the New York Stock Exchange and the Pacific Stock Exchange. As of December 31, 1994, U S WEST common stock was held by approximately 816,099 shareholders of record.

ITEM 6. Selected Financial Data.

The information required by this item is included on page 1 of the 1994 Annual Report under the heading "Financial Highlights" and is incorporated herein by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by this item is included on pages 7 through 31 of the 1994 Annual Report and is incorporated herein by reference.

ITEM 8. Consolidated Financial Statements and Supplementary Data.

The information required by this item is included on pages 33 through 54 of the 1994 Annual Report and is incorporated herein by reference.

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant.

The information required by this item with respect to executive officers is set forth in Part I, page 10, under the caption "Executive Officers of U S WEST."

The information required by this item with respect to Directors is included in the U S WEST definitive Proxy Statement dated March 16, 1995 ("Proxy Statement") under "Election of Directors" on pages 4 and 5 and is incorporated herein by reference.

ITEM 11. Executive Compensation.

The information required by this item is included in the Proxy Statement under "Executive Compensation" on pages 10 through 16 and "Compensation of Directors" on pages 2 and 3 and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is included in the Proxy Statement under "Securities Owned by Management" on page 3 and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions.

Not applicable.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

- (a) The following independent accountants' report and consolidated financial statements are incorporated by reference in Part II of this report on Form 10-K:

	<u>Page Number of Annual Report</u>
(1) Report of Independent Accountants	32
(2) Consolidated Financial Statements:	
Consolidated Statements of Operations — for the years ended December 31, 1994, 1993 and 1992	33
Consolidated Balance Sheets as of December 31, 1994 and 1993	34
Consolidated Statements of Cash Flows — for the years ended December 31, 1994, 1993 and 1992	35
Consolidated Statements of Shareowners' Equity for years ended December 31, 1994, 1993 and 1992	36
Notes to Consolidated Financial Statements	37 through 54
	<u>Page Number</u>
(3) Consolidated Financial Statement Schedule:	
Report of Independent Accountants	14
II — Valuation and Qualifying Accounts	S-1

Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

- (b) Reports on Form 8-K:

U S WEST filed the following reports on Form 8-K during the fourth quarter of 1994:

- (i) report dated October 17, 1994 relating to a release of earnings for the period ended September 30, 1994;
- (ii) report dated December 8, 1994 announcing its plan to buy back stock, and the completion of the Atlanta Cable properties acquisition.

(c) Exhibits:

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission ("SEC"), are incorporated herein by reference as exhibits hereto.

**Exhibit
Number**

- (3a) — Articles of Incorporation of U S WEST, Inc. dated September 22, 1983 (Exhibit 3a to Registration Statement No. 2-87861).
- (3a.1) — Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated June 6, 1988 (Exhibit 3b to Form 10-K, date of report March 29, 1989, File No. 1-8611).
- (3a.2) — Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated May 3, 1991 (Exhibit 3c to Form SE filed on March 5, 1992, File No. 1-8611).
- 3a.3 — Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated September 1, 1994.
- (3b) — Bylaws of the Registrant as amended August 5, 1994 (Exhibit 3-D to Form S-4 Registration Statement No. 33-55289 filed August 30, 1994).
- 4 — No instrument which defines the rights of holders of long and intermediate term debt of U S WEST, Inc. and all of its subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the Registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
- (10a) — Reorganization and Divestiture Agreement dated as of November 1, 1983, between American Telephone and Telegraph Company and its affiliates, U S WEST, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10a to Form 10-K, date of report March 8, 1984, File No. 1-3501).
- (10b) — Shared Network Facilities Agreement dated as of January 1, 1984, between American Telephone and Telegraph Company, AT&T Communications of the Midwest, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10b to Form 10-K, date of report March 8, 1984, File No. 1-3501).
- (10c) — Agreement Concerning Termination of the Standard Supply Contract effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10d to Form 10-K, date of report March 8, 1984, File No. 1-3501).
- (10d) — Agreement Concerning Certain Centrally Developed Computer Systems effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10e to Form 10-K, date of report March 8, 1984, File No. 1-3501).
- (10e) — Agreement Concerning Patents, Technical Information and Copyrights effective December 31, 1983, between American Telephone and Telegraph Company and U S WEST, Inc. (Exhibit 10f to Form 10-K, date of report March 8, 1984, File No. 1-3501).

**Exhibit
Number**

- (10f) — AMPS Software Agreement effective December 31, 1983, between American Telephone and Telegraph Company and NewVector Communications, Inc. (Exhibit 10h to Form 10-K, date of report March 28, 1984, File No. 1-8611).
- (10g) — Agreement Concerning Contingent Liabilities, Tax Matters and Termination of Certain Agreements dated as of November 1, 1983, between American Telephone and Telegraph Company, U S WEST, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10h to Form 10-K, date of report March 8, 1984, File No. 1-3501).
- (10h) — Agreement Concerning Trademarks, Trade Names and Service Marks effective December 31, 1983, between American Telephone and Telegraph Company, American Information Technologies Corporation, Bell Atlantic Corporation, BellSouth Corporation, Cincinnati Bell, Inc., NYNEX Corporation, Pacific Telesis Group, The Southern New England Telephone Company, Southwestern Bell Corporation and U S WEST, Inc. (Exhibit 10i to Form 10-K, date of report March 8, 1984, File No. 1-3501).
- (10i) — U S WEST, Inc. Short-Term Incentive Plan (Exhibit 10i to Form 10-K filed March 19, 1993, File No. 1-8611).
- (10j) — Financial Counseling Program for Officers of U S WEST (Exhibit 10-ee to Registration Statement No. 2-87861).
- (10k) — U S WEST Deferred Compensation Plan for Non-Employee Directors (Exhibit 10-ff to Registration Statement No. 2-87861).
- (10l) — Description of U S WEST Insurance Plan of Non-Employee Directors' Travel and Accident Insurance (Exhibit 10-gg to Registration Statement No. 2-87861).
- (10m) — Extract from the U S WEST Management Pension Plan regarding limitations on and payments of pension amounts which exceed the limitations contained in the Employee Retirement Income Security Act (Exhibit 10-hh to Registration Statement No. 2-87861).
- (10n) — U S WEST Executive Non-Qualified Pension Plan (Exhibit 10o to Form 10-K, date of report March 29, 1989, File No. 1-8611).
- (10o) — U S WEST Deferred Compensation Plan (Exhibit 10o to Form SE filed March 5, 1992, File No. 1-8611).
- (10p) — Description of U S WEST Directors' Retirement Benefit Plan (Exhibit 10p to Form SE filed March 5, 1992, File No. 1-8611).
- 10q — U S WEST, Inc. 1994 Stock Plan.
- (10r) — Shareholders' Agreement dated as of January 1, 1988 among Ameritech Services, Inc., Bell Atlantic Management Services, Inc., BellSouth Services Incorporated, NYNEX Service Company, Pacific Bell, Southwestern Bell Telephone Company, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10r to Form SE filed March 5, 1992, File No. 1-8611).
- (10s) — U S WEST Senior Management Long Term Disability and Survivor Protection Plan (Exhibit 10-dd to Registration Statement No. 2-87861).
- (10t) — U S WEST Mid-Career Pension Plan (Exhibit 10u to Form 10-K, date of report March 29, 1989, File No. 1-8611).
- 10u — Form of U S WEST, Inc. Non-Qualified Stock Option Agreement.
- 10v — Form of U S WEST, Inc. Restricted Stock Agreement.

**Exhibit
Number**

- 10w — Employment letter from Richard D. McCormick to Charles P. Russ, III dated May 11, 1992.
- (10y) — Assignment Agreement, dated July 13, 1993, between U S WEST Overseas Operations, Inc. and Richard J. Callahan (Exhibit (10a) to Form 10-Q filed November 5, 1993).
- (10z) — Agreement for Services, dated July 13, 1993, between U S WEST, Inc. and Richard J. Callahan (Exhibit (10b) to Form 10-Q filed November 5, 1993).
- (10aa) — Admission Agreement dated as of May 16, 1993 between Time Warner Entertainment Company, L.P. and U S WEST, Inc. (Exhibit 10 to Form 8-K filed May 24, 1993).
- 10ab — Form of Executive Change of Control Agreement.
- 10ac — Form of Change of Control Agreement for Chief Executive Officer.
- 10ad — U S WEST, Inc. Executive Long-Term Incentive Plan.
- 10ae — U S WEST, Inc. Executive Short-Term Incentive Plan.
- 11 — Statement Re Computation of Per Share Earnings.
- 12 — Computation of Ratio of Earnings to Fixed Charges of U S WEST, Inc. and U S WEST Financial Services, Inc.
- 13 — 1994 Annual Report to Shareowners.
- 21 — Subsidiaries of U S WEST, Inc.
- 23 — Consent of Independent Accountants.
- 24 — Powers of Attorney.
- 27 — Financial Data Schedule.
- 99a — Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for Salaried Employees for the year ended December 31, 1994, to be filed by amendment.
- 99b — Annual Report on Form 11-K for the U S WEST Savings and Security Plan/ESOP for the year ended December 31, 1994, to be filed by amendment.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, State of Colorado, on March 7, 1995.

U S WEST, Inc.

By: /s/ JAMES M. OSTERHOFF

James M. Osterhoff
*Executive Vice President and
Chief Financial Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Principal Executive Officer

/s/ RICHARD D. MCCORMICK*

Chairman of the Board, President
and Chief Executive Officer

Principal Financial Officer:

/s/ JAMES M. OSTERHOFF*

Executive Vice President and
Chief Financial Officer

Directors:

/s/ RICHARD B. CHENEY*

/s/ REMEDIOS DIAZ-OLIVER*

/s/ GRANT A. DOVE*

/s/ ALLAN D. GILMOUR*

/s/ PIERSON M. GRIEVE*

/s/ SHIRLEY M. HUFSTEDLER*

/s/ ALLEN F. JACOBSON*

/s/ RICHARD D. MCCORMICK*

/s/ MARILYN C. NELSON*

/s/ FRANK P. POPOFF*

/s/ GLEN L. RYLAND*

/s/ JERRY O. WILLIAMS*

/s/ DANIEL YANKELOVICH*

*By: /s/ JAMES M. OSTERHOFF

James M. Osterhoff
(for himself and as Attorney-in-Fact)

Dated March 7, 1995

INDEPENDENT ACCOUNTANTS' REPORT

Our report on the consolidated financial statements of U S WEST, Inc., which includes an explanatory paragraph regarding the discontinuance of accounting for the operations of U S WEST Communications, Inc. in accordance with Statement of Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1993, and a change in the method of accounting for postretirement benefits other than pensions and other postemployment benefits in 1992, has been incorporated by reference in this Form 10-K from page 32 of the 1994 Annual Report to Shareowners of U S WEST, Inc. In connection with our audits of such consolidated financial statements, we have also audited the related consolidated financial statement schedules listed in the index on page 12 of this Form 10-K for the years ended December 31, 1994, 1993 and 1992.

In our opinion, the consolidated financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

/s/ COOPERS & LYBRAND L.L.P.

COOPERS & LYBRAND L.L.P.
Denver, Colorado
January 18, 1995

U S WEST, Inc.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(Dollars in millions)

	<u>Balance at beginning of period</u>	<u>Charged to expense</u>	<u>Charged to other accounts</u>	<u>Deductions</u>	<u>Balance at end of period</u>
CONTINUING OPERATIONS:					
ALLOWANCE FOR CREDIT LOSSES					
Year 1994	\$ 54	\$ 91 (a)	\$ 3	\$ 86 (b)	\$ 62
Year 1993	59	83 (a)	1	89 (b)	54
Year 1992	59	89 (a)	11	100 (b)	59
RESERVES RELATED TO 1993 BUSINESS RESTRUCTURING, INCLUDING FORCE AND FACILITY CONSOLIDATION					
Year 1993	\$935	\$ 0	\$ 0	\$229	\$706
Year 1993	0	1,000	0	65	935
RESERVES RELATED TO 1991 BUSINESS RESTRUCTURING, INCLUDING FORCE REDUCTIONS AND THE WRITE OFF OF CERTAIN INTANGIBLE ASSETS					
Year 1994	\$ 95	\$ 0	\$ 0	\$ 95	\$ 0
Year 1993	215	0	0	120	95
Year 1992	314	0	0	99	215
DISCONTINUED OPERATIONS:					
ALLOWANCE FOR CREDIT LOSSES					
Year 1994	\$ 64	\$ 13	\$ 0	\$ 22 (b)	\$ 55
Year 1993	63	149	(52) (c)	96 (b)	64
Year 1992	62	20	7	26 (b)	63
LOSS RESERVE ON FINANCIAL GUARANTEES (d)					
Year 1994	\$ 36	\$ 40	\$ (36) (e)	\$ 0	\$ 40
Year 1993	72	103	0	139	36
Year 1992	12	68	0	8	72
OTHER (f)					
Year 1994	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Year 1993	86	0	3	89 (c)	0
Year 1992	84	0	8	6	86
RESERVES RELATED TO 1991 BUSINESS RESTRUCTURING, INCLUDING REAL ESTATE VALUATION ALLOWANCE AND 1993 PROVISION FOR LOSS ON DISPOSAL OF THE CAPITAL ASSETS SEGMENT					
Year 1994	\$336	\$ 0	\$ 0	\$217	\$119
Year 1993	402	120 (g)	0	186	336
Year 1992	500	0	0	98	402

NOTE: Certain reclassifications within the schedule have been made to conform to the current year presentation.

- (a) Does not include amounts charged directly to expense. These amounts were \$10, \$10 and \$9 for 1994, 1993 and 1992, respectively.
- (b) Represents credit losses written off during the period, less collection of amounts previously written off.
- (c) Primarily due to sale of U S WEST Financial Services finance receivables and assets.
- (d) The company adopted SFAS No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" in 1993. SFAS No. 113 requires reinsurance receivables to be reflected as assets rather than netted against the loss reserve. Prior years have been restated for comparability.
- (e) This amount relates to loss reserves of Financial Security Assurance at the beginning of 1994. Financial Security Assurance is now accounted for under the equity method.
- (f) Primarily valuation allowance related to the 1990 purchase of a \$294 face amount mobile home loan portfolio for \$197.
- (g) Provision for estimated loss on disposal of the Capital Assets segment of \$100 and an additional provision of \$20 to reflect the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

LOSWEST



Recycled Paper

ATTACHMENT 8

BUILDING ON STRENGTHS

STRENGTHENING CONNECTIONS

CORPORATE PROFILE

U S WEST, Inc. is a diversified, global communications company. Our domestic and international business activities are focused in communications, information services, marketing services and financial services.

U S WEST Communications provides communications services and data solutions to more than 25 million residential and business customers in 14 western and midwestern states. Other subsidiaries are in directory publishing; cellular communications and paging; international cable television; and financial services.

The company's stock trades under the symbol USW on the New York Stock Exchange and other major exchanges throughout the world.

Our mission is to provide quality products and services to customers in responsive and innovative ways in order to create the highest possible value for our investors through long-term growth and profitability.

CORPORATE VISION

By the year 2000, U S WEST will be the finest company in the world in connecting people with their world. This year's annual report theme, "Building on strengths; strengthening connections," highlights our progress in 1992 in pursuit of our vision. Examples of our strengths and our connections are featured throughout this report.

ABOUT THIS ANNUAL REPORT

We think you'll notice several improvements as you review this year's Annual Report.

For the first time since 1988, we're sending you a full Annual Report with complete financial information, instead of a Summary Annual Report with detailed financial statements in the accompanying proxy statement. This means you won't have to look in two places for the information you want.

In the past, many of you have told us we could streamline our report and save money by eliminating the color photography and the heavier glossy paper that have been a part of our reports in the past. We've heard your message and the time is right.

You've also told us it's important to continue to print our Annual Report on recycled paper. Again, we have done so.

We hope you'll agree that this clear, straightforward presentation of text and financial information is helpful as you evaluate U S WEST's performance and our future.



TABLE OF CONTENTS

●	FINANCIAL HIGHLIGHTS
●	LETTER TO SHAREOWNERS
●	REVIEW OF OPERATIONS
●	MANAGEMENT'S DISCUSSION AND ANALYSIS
●	REPORTS OF MANAGEMENT AND INDEPENDENT ACCOUNTANTS
●	CONSOLIDATED FINANCIAL STATEMENTS
●	BOARD OF DIRECTORS
●	CORPORATE EXECUTIVES AND SHAREOWNER INFORMATION

U S WEST, INC. FINANCIAL HIGHLIGHTS

Dollars in millions (except per share data)

	1992	1991	1990	1989	1988
FINANCIAL DATA					
Sales and other revenues	\$ 10,281	\$ 10,577	\$ 9,957	\$ 9,691	\$ 9,221
Income before income taxes and cumulative effect of change in accounting principles	1,714	741	1,759	1,545	1,629
Net income (loss)	(614)	553	1,199	1,111	1,132
Total assets	\$ 27,964	\$ 27,854	\$ 27,050	\$ 25,426	\$ 22,416
Long-term debt	6,737	7,629	7,175	7,248	6,466
Shareowners' equity	8,268	9,587	9,240	8,071	7,786
Earnings per share before cumulative effect of change in accounting principles	\$ 2.86	\$ 1.38	\$ 3.11	\$ 3.01	\$ 3.08
Earnings (loss) per share	(1.49)	1.38	3.11	3.01	3.08
Dividends per share	2.12	2.08	2.00	1.88	1.76
Book value per share	19.95	23.39	23.48	21.58	21.31
Return on shareowners' equity	*	5.7%	13.7%	14.2%	14.9%
Debt-to-capital ratio	51.7%	49.8%	49.3%	51.8%	48.7%
Capital expenditures	\$ 2,598	\$ 2,654	\$ 2,559	\$ 2,186	\$ 2,279
OTHER SELECTED DATA					
Employees	63,707	65,829	65,469	70,587	69,765
Number of shareowners	867,773	899,082	935,530	962,027	1,007,428
Weighted average shares outstanding (thousands)	412,518	401,332	386,012	369,098	366,854
Telephone network access lines in service (thousands)	13,345	12,935	12,562	12,218	11,878
Billed access minutes of use (millions)	44,369	41,701	38,832	36,374	33,894
Cellular subscribers	410,000	293,000	209,700	134,800	83,200

*1992 return on shareowners' equity, based on income before cumulative effect of change in accounting principles is 14.4%.

1992 results include a charge of \$1,793, or \$4.35 per share, for the transition effect of the accounting change related to postretirement benefits as discussed in Note 9 to the Consolidated Financial Statements.

1991 results include a restructuring charge which reduced net income by \$590 million.

To our shareowners:

BUILDING ON STRENGTHS: STRENGTHENING CONNECTIONS

They improved customer service, earnings, and our readiness for tomorrow.

Customers of every unit of U S WEST reported improved satisfaction with our service. But the most dramatic change was among large business and government customers, where we achieved a 25 percent increase in customers giving us a grade of "A."

We're pleased with our operating results. We achieved them despite a lingering national recession and growing competition in our core business: telecommunications.

Earnings from operations, as reported, were up from 1991, due to higher business volume and productivity gains. In 1992, we chose to adopt changes in accounting for the projected cost of health care for retired employees and for disability payments to other former employees. These accounting changes resulted in a reported net loss.

The board of directors increased your quarterly dividend to \$0.53 per share.

But I'm most proud of the work we did to position your company for success in the exciting, worldwide marketplace we see ahead.

We invested some \$2.4 billion to continue modernizing our telecommunications network. Priority projects: high-speed data systems, fiber-optic cable, and computerized call-switching centers. These will enable us to introduce exciting new services for homes and businesses, while reducing operating costs.

We plan to invest another \$2.2 billion in 1993, including our first trial of "broadband" facilities to customers' homes. Comparing broadband to a traditional telephone line is like comparing jet travel to walking. It will enable us to deliver video, multiple phone lines and improved two-way information services.

Also in '92, we continued our work with vendors and customers to explore new uses of telecommunications: working at home, learning from far-away teachers, attending meetings without traveling, receiving specialized medical care in remote locations and ordering movies "on demand."

We worked, here and abroad, with companies like France Telecom, the world leader in easy-to-use home-information services; Tele-Communications, Inc., the world's largest cable TV system operator; Time Warner, the world's largest media and entertainment company, and others. Alliances like these will be a key to our success as technology erases the boundaries between the information, entertainment, computer and communications industries.

Growth in the traditional telecommunications business remains modest. And competition is growing rapidly. In the years ahead, local "dial tone" service is likely to be offered by cable TV companies, wireless phone systems and others. But competition will increase our opportunities in other, faster-growing markets, such as carrying television signals, information services and high-speed data. We're investing in the technologies and locations that will enable us to make the most of those opportunities.

We're also investing in other businesses which we believe will show strong growth in the years ahead.

Our wireless communication businesses grew dramatically. In the U.S., USWEST Cellular served 40 percent more customers than a year ago. Customers for USWEST Paging increased 18 percent.

In directory publishing and related businesses, revenues were up 7 percent, exceeding the industry average for the fourth consecutive year.

Our international businesses are growing rapidly in size and importance to our future.

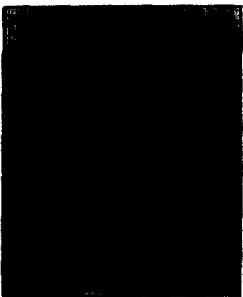
We enjoyed strong growth in customers for our combined cable TV and telephone services in the United Kingdom, and in our cellular services in Hungary, Russia, the Czech Republic and Slovakia. We also began publishing a telephone directory in Poland and installed gateway switches in Lithuania and Russia.

Our international businesses are also helping us understand emerging technologies which we hope to develop in the United States. We're especially excited about Personal Communications Networks, which will provide pocket-size cellular phones that work anywhere.

Domestically, we introduced several exciting new products, including an electronic directory service, "fax mail" services, "voice mail" for businesses, a 14-state directory on compact disc, and several high-speed data services.

We expanded our training in — and use of — the Quality process. And continued our work with regulators to assure that we're balancing everyone's interests in reliable, competitively priced communications services.

We renewed our partnership with the Communications Workers of America and the International Brotherhood of Electrical Workers, with whom we signed new, three-year contracts covering more than 40,000 telecommunications technicians and service workers.



RICHARD D. McCORMICK

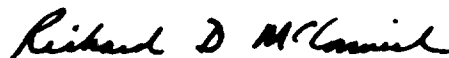
Overall, I feel very good about the efforts we made and the results we posted for 1992.

This is not to say that 1992 was easy, nor without personal pain. New technology and competition have the undesirable side effects of reducing employment. We said good-bye to some 2,000 co-workers in 1992, and expect about the same number of reductions in 1993. We will miss them. And we appreciate all the contributions they made.

We hope, in the long term, to reverse the employment trend. In the meantime, we'll do the best we can to be fair to those who are leaving our business, and to those who are staying.

The goal that unites all of us is to improve continually the ways we bring people together through communications. And to do so at a profit to our society, as well as to you, our shareowners.

SINCERELY,



RICHARD D. McCORMICK

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

We connect people to people, via local telephone service, regional long-distance and connections to national long-distance carriers.

We connect fax machines, over the same network. We connect large computers and other business equipment, via high-speed data links.

We connect people on the move, with cellular mobile telephone service for cars, trucks, boats, briefcases and purses. Also: paging services. Voice messaging. Fax storage and retrieval.

We connect buyers to sellers, through The Yellow Pages. We connect people to telephone listings, through The White Pages. Through our directory assistance service. Through a new, 14-state directory available on a "CD" computer disk. And through a new electronic directory service for Minneapolis/St. Paul, which provides up-to-date listings on a small screen beside the phone.

We connect people to information and entertainment:

— In several cities, our Community Link® service fills that same little screen with news, weather, sports, "chat" services, shopping, community information and dozens of other easy-to-use videotex services.

— In suburban Denver, we're offering movies "on demand," through a system that uses both the telephone network and neighborhood TV cables.

— Also in Denver, we're in a partnership offering a service that gathers and faxes news items tailored to subscribers' interests.

— In suburban London, we make cable TV service available as a "package deal" with local telephone service.

Our connections are centered in 14 states of the western U.S., but reach across the country and around the world. Looking ahead, we're building connections with tomorrow, through:

- continuing research and development;
- major investments in new technology, especially in high-growth areas like data, video and wireless communication;
- information services and other innovations that can improve our customers' lives.

1992 was a year of strengthening those connections.

In February 1993, we announced that we're asking network-equipment manufacturers for proposals for an all-new network, capable of providing two-way video, data and voice communications services to homes and offices. This will make us the first telecommunications company in the United States to formally begin work toward building an interactive video/voice network for mass-market customers.

DOMESTIC TELECOMMUNICATIONS

Our largest subsidiary is U S WEST Communications. This company was created from three former Bell Telephone companies: Mountain Bell, Northwestern Bell and Pacific Northwest Bell.

We provide local-area telecommunications services to more than 25 million customers in the Upper Midwest, Rocky Mountains, Southwest and Pacific Northwest. Our territory includes such major cities as Minneapolis/St. Paul, Seattle, Phoenix, Denver, Portland, Salt Lake City, Albuquerque, Omaha, Des Moines, Tucson and Boise.

The region has a diversified economy, including growth areas such as computer software development and high-tech manufacturing, as well as farming, mining, oil and gas production, tourism, manufacturing, insurance and other services. The region's employment growth continues to outpace the nation.

U S WEST Communications serves more than 13 million "access lines" (home and business telephone numbers).

In 1992, we were among the fastest-growing regional Bell companies in access lines, at 3.2 percent. This was partly because the region is growing faster than many parts of the U.S., and partly because of good sales of additional lines to small businesses.

Growth in the basic "dial tone" business will continue to be modest for two reasons. One: Most homes and businesses already have telecommunications services. Two: New competitors, such as "alternate access" companies and cable TV companies, are expected to offer local telephone services in some areas.

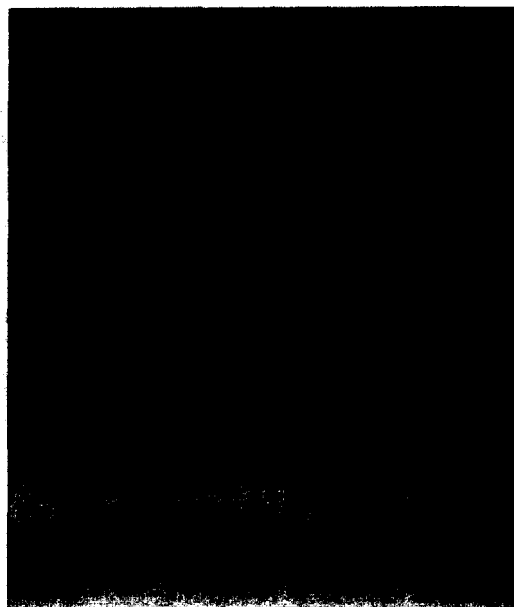
We're preparing for this new era by modernizing our network, trimming our costs and developing new services that help our customers work better and live better.

Among the services we introduced or expanded in 1992 were:

— Voice Messaging, which works like an answering machine, only better. It answers the phone when you're away or when you're on the line. It tells you what time the call came in. And you can change your greeting or play back your messages from any phone, anywhere. In November, we signed up our 500,000th Voice Messaging customer. As the year ended, we offered the service in 40 cities in 11 states and solidified our position as an industry leader in market penetration for Voice Messaging.

— Caller ID, which lets you know who's calling you. When your telephone rings, a small screen on the phone — or on a box

beside the phone — shows the name and number of the person who's calling. So far, nine of the states we serve have approved the sale of Caller ID, and we expect it will be available in 17 major metropolitan areas and more than 40 smaller communities by 1997. Where the service is offered, six percent of customers are signing up initially. We expect the rate to grow to 10-15



percent over the next five years, as we work with regulators to assure the service meets customer needs.

— Other computerized services. These include Call Rejection (which lets you "program" our switching center to not deliver calls from certain numbers); Priority Call (which gives your phone a distinctive ring when a call is from any number you've listed as especially important); Call Trace; Continuous Redial; and Selective Call Forwarding. These, too, are expected to generate significant revenue growth in the years ahead.

— Additional lines for fax machines and customer service, along with Business Voice Messaging, Broadcast Fax (faxing the same document to many locations) and other services for small businesses. The number of small businesses we serve grew 3.7 percent in 1992, while our revenues from serving these customers grew 6.2 percent. By mid-1993 we will introduce in

nine states Stand-By Line, a low-priced option for small businesses that need an additional line only part of the time.

— Transparent LAN service, which connects businesses' or government agencies' local computer networks and allows them to exchange vast amounts of information at ultra-high speeds. We installed nine of these systems in the first 90 days we offered them, and expect continued strong sales in the years ahead.

— Frame Relay Service and Switched Multimegabit Data Service, both allowing computer-network owners to exchange huge volumes of data on an "as needed" basis. This is another important growth area in the data communications market, which overall is growing faster than 20 percent a year.

— Information services, such as the electronic directory and NewsFax services described above. It's been a little over a year since a federal court opened the door for the regional Bell companies to provide information services. And U S WEST has responded, with an average of a new product every month. Our services are helping drivers avoid bottlenecks, police alert business owners of crime risks and public agencies distribute health information.

— Services tailored for new markets, such as people who work at home. We conducted a 10-week study of home workers in three Utah communities. It will help us understand what connections they need to the world beyond and how we can best serve them.

Most of the new services we're offering today — and planning for tomorrow — require a lot more than a strand of copper wire. That's why U S WEST Communications invested \$2.4 billion in 1992 to modernize our network.

We plan to spend another \$2.2 billion in 1993. Most of this investment is going into:

— computerized call-switching centers. More than 74 percent of our centers are electronic. This speeds calls, improves quality and reduces our operating costs.

— fiber-optic cables. These carry more calls, faster, at less cost than copper. And they can handle the larger volumes of information required for video images and high-speed data communications.

— other facilities to carry "broadband" signals, such as two-way video and various computerized services. These will enhance the ability of school classes to see and talk with far-away teachers and experts; health care facilities to offer remote diagnosis and monitoring of patients; businesses to use two-way video, and to enable employees in different locations to work with the same computer data as they talk. We asked network-equipment manufacturers for proposals to help us deliver these broadband services to homes and small businesses, and expect to begin trial installations in 1993.

— improving the computer systems we use to serve our customers, keep records and prepare bills. This is helping us serve our customers faster — both in answering their questions and installing new services. It also reduces our operating costs.

Among major sales in 1992, U S WEST Communications won a \$76 million contract from Los Alamos National Laboratory. We will manage the design, installation and operation of a complete, high-tech communications system for the federal research facility.

Other major sales included:

— a \$48 million, multi-year contract for a comprehensive communications system at the Hanford nuclear facility in Washington; and

— a multi-million-dollar sale of our billing software to Sprint Corp. Several other firms, here and abroad, are interested in the billing system, which we first developed for our own use.

We continued to trim our costs in 1992, through the modernization efforts described above, and through various other efforts. One is conducting meetings via audio and video "teleconferences," instead of business travel. Usage of teleconferencing has increased significantly, resulting in a 25 percent reduction in travel costs during the peak travel season.

As we streamline our operations, we can serve our customers with fewer employees. U S WEST Communications made major progress toward accomplishing a 6,000-job reduction we announced in 1991.

Our mobile telephone services company is U S WEST NewVector, using the brand names U S WEST Cellular and U S WEST Paging.

At year's end, we were serving 410,000 customers with cellular mobile telephone service, up 40 percent from the year



before. We provide cellular service in most of the major cities of our 14-state region, plus San Diego.

We expect continued strong growth, both among business and professional users and also among individuals, who are turning to cellular for time management and personal safety.

We continued to modernize and expand our cellular systems. We signed a contract with Motorola for a new technology that's a step between analog (the technology of audio cassettes) and digital (the technology of "CDs").

First installation of the new system will be in Seattle, in late 1993. It will provide our customers clearer calls over a larger area, along with greater privacy and several new features that will indicate a message is waiting, or even display a short message on a tiny screen.

U S WEST Paging serves more than 247,000 paging customers in 88 markets. Today's paging devices, which will fit inside any pocket or purse, offer a variety of audio and visual signals, including a display of the caller's number and even a brief message. Demand for pocket paging devices continues to grow, both for business and personal use.

Looking ahead, our research and development group began construction of a "microcellular" wireless network in downtown Boulder, Colorado. We'll use this network to test and evaluate new technologies for Personal Communications Services (PCS).

Eventually, PCS customers will carry pocket-size phones that will work anywhere. And phone numbers will become associated with people, rather than places. We expect this to be a major growth market of the '90s and we hope to participate, although the Federal Communications Commission has not yet decided who may offer the service.

INTERNATIONAL OPERATIONS

Through U S WEST International, we're developing, building and operating telecommunications systems in Europe and other attractive markets.

We're focusing on two primary business areas: cable TV/telephone networks, and wireless communications, including cellular mobile telephone systems and Personal Communications Networks, or PCN.

Our biggest international operation is in the United Kingdom, where we provide combined cable TV and telephone service in partnership with Tele-Communications, Inc., America's largest cable TV company. In 16 franchise areas, we serve 143,000 cable

TV customers, up from 88,000 a year ago, and 76,000 telephone customers, up from 21,000.

The United Kingdom is also where we're introducing the world's first commercial PCN. By mid-1993, this new digital network will make high-quality "pocket phone" service affordable to more than 12 million London-area residents. In the years ahead, U S WEST and our partner, Cable & Wireless, plan to expand PCN service throughout much of the U.K. Because it will be priced for the average consumer, we believe PCN holds great promise. (In the United States, where the service is still under government review, it will be called PCS.)

In Russia, U S WEST and our partners will play a major role in building and operating a digital cellular telephone network. U S WEST already provides cellular service in Moscow and St. Petersburg, as well as in Hungary, the Czech Republic and Slovakia.

In addition, we've invested in:

- cable TV systems in France, Hungary, Norway and Sweden;
- network facilities, such as our international long-distance switching centers in Russia and Lithuania;
- and marketing services, through a telephone directory in Poland.

MARKETING SERVICES

Through U S WEST Direct and TransWestern Publishing, we are among the nation's largest publishers of telephone directories. We annually publish more than 40 million copies of nearly 400 White and Yellow Pages directories in 25 states.

People in U S WEST's region use our directories an average of 2.3 times a week, more often than directories are used in any other part of the country.

After they're used, our directories get re-used. Partnering with communities, we collected and recycled more than 20,000 tons of old phone books. U S WEST is turning those old directories into new White and Yellow Pages.

We're connecting buyers and sellers in new ways. We teamed with France Telecom to introduce the U S WEST Electronic Directory, a first-of-its-kind, on-line service in Minneapolis-St. Paul.

We also launched SearchDisc, a compact disc directory database.

FINANCIAL SERVICES

U S WEST Capital Corporation was a steady contributor to our net income, earning \$113.9 million in 1992.

U S WEST, INC.**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

RESULTS OF OPERATIONS - 1992 COMPARED TO 1991

	1992	1991	Increase (Decrease)	
			\$	%
Income before cumulative effect of change in accounting principles	\$ 1,179.4	\$ 553.4	\$ 626.0	113.1
Cumulative effect of change in accounting principles	(1,793.4)	—	(1,793.4)	—
Net income (loss)	\$ (614.0)	\$ 553.4	\$ (1,167.4)	(211.0)
Earnings per share before cumulative effect of change in accounting principles	\$ 2.86	\$ 1.38	\$ 1.48	107.2
Cumulative effect of change in accounting principles	(4.35)	—	(4.35)	—
Earnings (loss) per share	\$ (1.49)	\$ 1.38	\$ (2.87)	(208.0)

In 1992, income before cumulative effect of change in accounting principles was \$1,179.4 and earnings per share were \$2.86. In 1991, excluding a restructuring charge which reduced net income by \$590 and earnings per share by \$1.47, income was \$1,143.4 and earnings per share were \$2.85. Excluding the effects of the 1991 restructuring charge and the 1992 accounting change, 1992 net income increased by \$36, or 3.1 percent, and earnings per share increased by \$.01, or .4 percent.

The accounting change relates to two recent accounting standards issued by the Financial Accounting Standards Board. The first is Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," which mandates that employers reflect in their current expenses an accrual for the cost of providing retirement medical and life insurance benefits to current and future retirees. Prior to 1992, U S WEST, Inc. ("U S WEST"), like most corporations, recognized these costs as they were paid. U S WEST also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue for the estimated costs of benefits, such as workers' compensation and disability, provided to former or inactive employees who are not eligible for retirement. Adoption of SFAS Nos. 106 and 112 resulted in a one-time, non-cash charge against 1992 earnings of \$1,793.4, net of tax, including \$52.7 related to SFAS No. 112.

The accrual of employee postretirement benefits is a current operating expense that has been allowed, for ratemaking purposes, in several of the Company's regulatory jurisdictions. The Company will continue to seek to recover the cost in all of its jurisdictions.

Operating income by industry segment (as defined in Note 2 to the Consolidated Financial Statements) follows:

	1992	1991	Increase (Decrease)	
			\$	%
Communications and Related Services	\$ 2,043.4	\$ 1,671.7	\$ 371.7	22.2
Capital Assets	145.1	(469.1)	614.2	130.9

The 1991 restructuring charge (\$915 pretax - see Note 12 to the Consolidated Financial Statements) reduced operating income of the Communications and Related Services segment by \$365 and the Capital Assets segment by \$550. Absent the effects of the restructuring charge, operating income of the Communications and Related Services segment in 1992 was essentially unchanged from 1991, with the ongoing impact from the adoption of SFAS No. 106 being offset by operating improvements in telephone, cellular and publishing operations, and lower international joint venture losses. (See Note 9 to the Consolidated Financial Statements for 1992 SFAS No. 106 costs. For 1993 and future years, the ongoing impact from SFAS No. 106 will be significantly less because of regulatory recoveries and earnings from amounts funded.)

Operating income of the Capital Assets segment, excluding the effect of the restructuring charge, increased by \$64.2, or 79.4 percent, due to improved operating margins in financial services (primarily as a result of lower interest expense), increased investment income associated with financial guarantee insurance activities and the absence of real estate losses. Due to phasing out the operations of U S WEST Real Estate, Inc., related 1992 revenues and operating expenses, including financing costs, were charged against a \$500 valuation allowance established in conjunction with the 1991 restructuring charge. Prior to 1992, these revenues and operating costs were included in the consolidated results of operations of U S WEST.

SALES AND OTHER REVENUES

	1992	1991	Increase (Decrease)	
			\$	%
Communications and Related Services	\$ 9,824.9	\$ 9,479.8	\$ 345.1	3.6
Capital Assets	456.2	1,097.4	(641.2)	(58.4)
Total sales and other revenues	\$10,281.1	\$10,577.2	\$ (296.1)	(2.8)

In 1991, sales and other revenues included \$609 of real estate sales. Excluding real estate, sales and other revenues increased by \$312.9, or 3.1 percent.

Communications and Related Services Segment Revenues

	1992	1991	Increase (Decrease)	
			\$	%
U S WEST Communications operations:				
Local service	\$ 3,674.3	\$ 3,500.6	\$ 173.7	5.0
Access charges - interstate	2,046.9	2,023.4	23.5	1.2
Access charges - intrastate	672.8	649.7	23.1	3.6
Long distance network service	1,419.7	1,462.7	(43.0)	(2.9)
Miscellaneous	510.0	528.0	(18.0)	(3.4)
	8,323.7	8,164.4	159.3	2.0
Publishing, cellular and other	1,501.2	1,315.4	185.8	14.1
Total segment revenues	\$ 9,824.9	\$ 9,479.8	\$ 345.1	3.6

Approximately 85 percent of the revenues of the Communications and Related Services segment are attributable to the operations of U S WEST Communications, Inc. ("U S WEST Communications"). U S WEST Communications offers local service, exchange access service and long distance network service in 14 states, serving approximately 80 percent of the population in these states and approximately 40 percent of the land area. Approximately 58 percent of U S WEST Communications' revenues are derived in the states of Arizona, Colorado, Minnesota and Washington. About 28 percent of the Company's access lines are devoted to providing services to business customers. The access line growth rate for business customers, who tend to be heavier users of the telephone network, has consistently exceeded the growth rate for residential customers. During 1992, business access lines grew by 3.8 percent vs. 2.9 percent for consumer lines. Overall 1992 access line growth was 3.2 percent.

An analysis of the change in U S WEST Communications' revenues follows:

Local Service

Rate Changes	Lower Refunds	Demand	Reclassifications and Other	Increase (Decrease)	
				\$	%
\$.3	\$23.2	\$167.7	\$(17.5)	\$173.7	5.0

Local service revenues include local telephone exchange, local private line and public telephone services. The increase in local service revenues was primarily attributable to access line growth. Refunds in 1992 were significantly less than the prior year.

Access Charges

Access charges are collected primarily from the interexchange carriers for their use of the local exchange network. For interstate access services, there is also a fee collected directly from telephone customers. Approximately 41 percent of U S WEST Communications' access revenues and 13 percent of its total revenues are derived from providing access service to American Telephone and Telegraph Company ("AT&T").

Interstate Access Charges

Rate Changes	Higher Refunds	Demand	Reclassifications and Other	Increase (Decrease)	
				\$	%
\$(87.6)	\$(5.4)	\$125.1	\$(8.6)	\$23.5	1.2

Increased demand for interstate services, as evidenced by an increase of 6.5 percent in interstate billed access minutes of use, more than offset the effects of rate reductions and refunds. Interstate rate reductions have been phased in by the Federal Communications Commission ("FCC") over a number of years. U S WEST Communications reduced interstate access rates effective July 1, 1991, as a result of the FCC's adoption of price cap regulation for interstate services. Rates were again reduced, by approximately \$90 annually, effective July 1, 1992, primarily due to FCC-mandated changes which resulted in a cost shift to intrastate jurisdictions.

Intrastate Access Charges

Rate Changes	Higher Refunds	Demand	Reclassifications and Other	Increase (Decrease)	
				\$	%
\$(12.4)	\$(1.5)	\$7.2	\$29.8	\$23.1	3.6

Intrastate access charges increased primarily as a result of a reclassification of certain revenues from local and long distance network services. Excluding the effects of the reclassification, intrastate access revenues decreased by \$11.4, or 1.8 percent, due to the effects of rate reductions and refunds, which more than offset increased demand. Intrastate billed access minutes of use increased by 6.1 percent over last year.

Long Distance Network Service

Rate Changes	Lower Refunds	Demand	Reclassifications and Other	Increase (Decrease)	
				\$	%
\$(22.2)	\$16.1	\$(22.3)	\$(14.6)	\$(43.0)	(2.9)

Long distance network service revenues are derived from calls made within the service area boundaries of U S WEST Communications, commonly referred to as "LATAs." The decline in long distance network service revenues reflects the impact of competition, particularly in Wide Area Telephone Service ("WATS") and "800" services, rate reductions and a reclassification of certain revenues to intrastate access service. These effects were partially offset by lower refund activity in 1992. Excluding the reclassification, long distance network revenues declined 1.8 percent. Revenues from WATS and "800" services comprised approximately 6 percent of long distance network revenues in 1992 as compared to 9 percent in 1991.

Miscellaneous

Miscellaneous revenues are derived from billing and collection services, shared network facilities agreements with AT&T, voice messaging and other services. Miscellaneous revenues declined in 1992, with lower revenues from billing and collection services partially offset by increased revenues from voice messaging services. Billing and collection revenues are declining primarily as a result of interexchange carriers providing these services for themselves.

Publishing, Cellular and Other

	1992	1991	Increase (Decrease)	
			\$	%
Publishing	\$ 949.1	\$ 890.7	\$ 58.4	6.6
Cellular and paging	406.6	324.9	81.7	25.1
Other - net	145.5	99.8	45.7	45.8
Total	\$ 1,501.2	\$ 1,315.4	\$ 185.8	14.1

Publishing includes revenues associated with "Yellow Pages" and other directories, marketing reference guides, direct marketing tools and media analysis software. Volume of Yellow Pages directory advertising was essentially flat in 1992, with the increase in publishing revenues the result of price increases. The Yellow Pages industry has experienced declines in unit volume in recent years. Company initiatives to counter this trend include focusing on increased penetration in selected markets and improving customer retention rates. Competition for advertising budgets is increasing, particularly from direct mail, and part of the Company's strategy for competitive response includes attention to emerging technologies such as electronic data bases.

Cellular and paging revenues increased as a result of an expanded cellular customer base, which grew by 39.9 percent over the last 12 months. The cellular customer base is expected to continue growing, though rates of growth will continue to recede as the customer base expands. Average cellular revenue per customer declined by 4.7 percent, consistent with industry trends. This decline is expected to continue as lower volume users are added to the network. Despite its rapid growth, the cellular industry is faced with many challenges including the introduction of new technologies, increased competition and an uncertain regulatory environment. In 1992, the Company formed a strategic alliance with Motorola to implement new digital technology in its network. To compete more effectively, the Company will continue to seek ways to expand its cellular business to take advantage of industry economies of scale.

Concerns have been raised about the safety of hand-held cellular telephones. The U.S. Congress recently held a hearing on this issue at which various expert witnesses testified that hand-held cellular phones do not pose a health risk. Additionally, the Cellular Telecommunications Industry Association has asked for an independent panel to review the existing cellular phone research and to recommend additional research, if necessary.

Capital Assets Segment Revenues

	1992	1991	Increase (Decrease)	
			\$	%
Financial services	\$ 302.0	\$ 333.8	\$ (31.8)	(9.5)
Financial guarantee insurance	142.5	117.0	25.5	21.8
Real estate	-	652.1	(652.1)	(100.0)
Other - net	11.7	(5.5)	17.2	-
Total segment revenues	\$ 456.2	\$ 1,097.4	\$ (641.2)	(58.4)

Excluding real estate operations, Capital Assets segment revenues were slightly higher than 1991. Higher investment-related income associated with the financial guarantee insurance business offset lower revenue associated with other Capital Assets activities due primarily to lower interest rates.

COSTS AND EXPENSES

	1992	1991	Increase (Decrease)	
			\$	%
Cost of services and products	\$ 2,835.8	\$ 3,249.9	\$ (414.1)	(12.7)
Selling, general and administrative	3,150.8	2,992.0	158.8	5.3
Depreciation and amortization	1,890.1	1,876.1	14.0	.7
Restructuring charge	-	915.0	(915.0)	(100.0)
Interest expense	626.2	768.3	(142.1)	(18.5)
Other income (expense) - net	(63.8)	(35.2)	28.6	81.2

The \$414.1 decrease in cost of services and products is more than accounted for by 1991 real estate operations. Excluding real estate, cost of services and products increased by \$102.9, or 3.8 percent, most of which is attributable to higher health care costs for active employees as well as the 1992 ongoing impact from the adoption of SFAS No. 106. The Company is continuing its efforts to contain health care costs through managed care and other programs. Partially offsetting the increased benefit costs were the effects of cost controls at U S WEST Communications, including the workforce reduction initiatives implemented last year, lower materials and supplies expenses, and lower travel costs. Access charges paid to independent companies also declined in 1992, primarily due to the effects of restructured calling areas in certain independent company jurisdictions. U S WEST Communications pays access charges to independent companies when intraLATA long distance traffic is routed through their facilities.